

ORIGINAL



0000078493

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

GROUP

PIERCE PROPOSED AMENDMENT #2

DATE PREPARED: November 5, 2007

Arizona Corporation Commission
DOCKETED

NOV -7 2007

COMPANY: UNS Gas, Inc.

DOCKETED BY	<u>nr</u>
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DOCKET NOS: G-04204A-06-0463, G-04204A-06-0013 and G-04204A-0~~6~~⁵-0831

OPEN MEETING DATES: November 5, 2007

AGENDA ITEM: U-2

Page 51

STRIKE lines 6 through 11 and INSERT the following at the beginning of line 6:

"The record reflects that the parties all agreed that determining a fair rate of return on fair value rate base is an imprecise ratemaking inquiry. We also note that the Company agrees that the Company's proposed method is not the only way the Commission may determine a fair value rate of return on fair value rate base, and we have rejected the Company's proposal for the reasons stated above and because we do not believe that the Company's proposed method provides for a reasonable fair value rate of return on fair value rate base under the circumstances of this case. We have reviewed and considered the entire record on the fair value rate of return on fair value rate base and the range of the parties' final proposals in this case: Company - 7.44%, Staff - 6.81%, and RUCO - 6.95%. After consideration of the entire record and the range of the proposals, we determine that a reasonable fair value rate of return on the Company's fair value rate base is 7.0%. Based on our findings herein, we determine that UNS Gas is entitled to a gross revenue increase of \$ 5,347,983.

Fair Value Rate Base	\$184,120,781
Adjusted Operating Income	\$9,621,507
Required Rate of Return	7.00%
Required Operating Income	\$12,888,455
Operating Income Deficiency	\$3,266,948
Gross Revenue Conversion Factor	1.636969
Gross Revenue Increase	\$5,347,983"

Conforming changes.

RECEIVED
2007 NOV -7 A 10: 57
AZ CORP COMMISSION
DOCKET CONTROL